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## The Washington Consensus and the Quality of Democracy in Brazil and Chile?

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The end of the Cold War produced a change in American foreign-policy. The paramount focus, the strategic containment of communism made hemispheric stability and security a priority. In the Latin America region, where high rates of social and economic inequality engendered sympathy for communist ideals the American foreign-policy establishment willingly supported nondemocratic authoritarian regimes and suppressed civil rights. The democracies of two South American countries Brazil and Chile were overthrown by their militaries with the tacit support of the United States.

By the early 90s the military dictatorships in both countries allowed a return to democracy and civilian control the military, but retained their autonomy. At the same time both countries supported and encouraged neoliberal economic policies to build and grow their economies. In both cases prior economic turmoil connected with high deficits and led to the intervention of international financial organizations like the International Monetary Fund and the World Bank. In exchange for lower debt and renegotiated terms of repayment both governments were required to adopt austerity budgets that cut appropriations for social services, required the sale of nationalized industries, opening domestic markets to foreign exports, and allowing outside investment. Issues related to high rates of poverty, access to education and income inequality were given lip service but essentially ignored.

These policies were supported by the United States came to be known as the Washington Consensus.

This dissertation considers Brazil and Chile's adoption of neoliberal economic policies espoused by the Washington Consensus and to what extent it affected the quality of democracy in both countries.

The dissertation will define neoliberal economic policy, Washington Consensus, American support for democracy, and quality of democracy from empirical research and using a study done by Daniel H Levine and Jose E Molina, "The Quality of Democracy in Latin America." The quality of democracy will be viewed from five perspectives: Electoral Process, Participation, Accountability, Responsiveness, and Sovereignty.

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Brazil and Chile**

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## **Introduction**

The United States has a long history of interaction with countries in Latin America. During the Cold War American foreign policy was more concerned with containing communism than promoting democracy. Consequently the United States government supported authoritarian regimes controlled by military governments at the expense of democratic institutions. Chile and Brazil were examples of the United States commitment to contain communism at the expense of democracy. With the end of the Cold War and the rejection of communism as a legitimate form of government and economic policy, American was less tolerant of military dictatorships and more interested in supporting democracy and building economies in Latin America. This new policy came to be known as the “Washington Consensus.” It embodied the promotion of neoliberal economic policy in conjunction with building sustainable democratic regimes. Both Brazil and Chile by the early 1990s had established viable democratic regimes that reduced the military to a secondary role, but still gave them a great degree of autonomy and the right to intervene in government affairs, if they perceive a rise in political and economic instability. While both countries were able to establish democratic regimes and institutions, Brazil adopted and Chile continued neoliberal economic policies that contributed to the economic well being of both countries. This thesis will consider the transitions from authoritarian governments and the adoption of neoliberal economic policies from 1989 to 2005 and determine their effect on the quality of democracy in Brazil and Chile.

## **Neoliberalism**

Neoliberalism is a political economic theory that espouses a formula for economic success that demands entrepreneurial freedom, strong property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework to enhance such practices. The state has to guarantee, for example, the integrity of its currency, military defense, laws and legal structures to secure private property rights and proper functioning of free markets. If these free markets don't exist or compromised they must be created by state action. Beyond these requirements the state should not intervene in economic policy because state-controlled economies cannot possibly possess enough information to determine market policies. In addition state intervention in economic affairs often leads to cronyism and powerful interest using the political process to improve their economic condition. (1)

## **The Washington Consensus**

The term “Washington Consensus” was first used in 1989 at conference on Latin America by the Organization for Economic Cooperation and Development (OECD), an organization created by the United States to administer the Marshall plan. Its primary purpose

was to rebuild a war ravaged Europe by encouraging individual governments to recognize the interdependence of their economies and encourage cooperation. By 1961 the OECD had become an international organization with members representing the thirty largest economies that accounted for 80% of the world trade and investment. (2)

John Williamson a Senior Fellow at the Institute for International Economics used the term “Washington Consensus” to summarize commonly shared themes among policy advisors in Washington based institutions such as the International Monetary Fund, World Bank and the United States Treasury Department. They believed reforms were necessary for the recovery of Latin America from the economic and financial crises of the 1980s. The Washington Consensus as originally stated by Williamson included ten policy recommendations known as the neoliberal economic agenda:

1. Fiscal policy discipline, avoidance of large fiscal deficits relative to GDP
2. Redirection of public spending from business subsidies toward broad-based programs to promote growth and infrastructure investment.
3. Tax reform, broadening the tax base in adopting moderate marginal tax rates
4. Interest rates that are market- determined and positive (but moderate) in real terms
5. Competitive exchange rates

6. Trade liberalization: liberalization of imports, with particular emphasis on the elimination of quantitative restrictions (licensing, etc.); trade protection administered with low and relatively uniform tariffs
7. Liberalization of foreign direct investment
8. Privatization of state enterprises
9. Deregulation: abolition of regulations that impede market entry or restrictive regulations, except for those justified on safety, environmental and consumer protection grounds; and prudent oversight of financial institutions
10. Legal security for property rights. (3)

Although Williamson's label of the Washington Consensus drew attention to the role of the Washington-based agencies and promoting and promoting a neoliberal agenda, the fact remains the policy prescriptions described in the Washington Consensus were a response to what was happening both within and outside the region of South America. Joseph Stiglitz has written that, the Washington Consensus policies were designed to respond to the very real problem in Latin America and made considerable sense." (4) The widespread adoption by Latin American governments of the Washington Consensus neoliberal policies was a reaction to the macro economic crisis that hit much of the Latin America during the 1980s. The crisis had multiple origins: a drastic rise in the price of imported oil following the emergence of OPEC; mounting levels of external debt; the rise of US interest rates; and the loss of access to additional foreign credit due to already high levels of debt. Unable to

expand external borrowing or to increase export earnings, many Latin American countries had no choice to adopt neoliberal policies by reducing protectionism and in focusing on increasing exports. (5)

Critics and supporters of free market economics have different ideas of what the Washington Consensus means and how successful it is been in South America. Proponents see the consensus as a pragmatic set of economic programs to lower inflation, increased trade liberalization and less governmental interference with economic issues. Anti-imperialists believe the Washington Consensus is simply US imposed capitalism that seeks to profit American corporations at the expense of Latin American citizens and the environment. (6)

In Russell C Crandall's opinion the United States actually played a secondary role in promoting free-market economic policies during the 1990s. Instead, such international financial institutions as the International Monetary Fund, the World Bank and the Inter-American Development Bank took the responsibility of promoting market friendly reforms. The IMF one of the few organizations willing to lend Mexico money after its financial crisis in 1982, demanded a quid pro quo of "structural adjustments" in order to bring their unsustainable fiscal deficits into better balance. (7) Critics from South American leftist parties opposed these "adjustments" claiming the IMF was forcing Latin American governments to cut critical social spending programs in order to balance their budgets. Under "structural adjustment" policies favored by the United States and the International Monetary Fund, countries were obliged to remove



obstacles to foreign investment and compelled to raise exports. (8)  
They also blamed the United States because of what they perceived as its hegemonic influence over the International Monetary Fund because it had the largest block of votes nearly 17% of the total. (9)  
Supporters of neoliberal economic policies believed that structural adjustments were necessary to prevent future crisis and to deal with those that might arise. They saw the IMF is playing a critical role in devising a number of bailout loan packages following economic meltdowns in Mexico 1994, Brazil 1998, and Argentina in 2001 (10)

The defeat of communism ended the belief in command-oriented economic models. In the late 1980s and early 90s many of the newly elected Democratic leaders in Latin America embraced the invisible hand of free market economics. Many of these leaders were US educated, pro-free-market and willing to work with United States on economic issues such as trade integration. (11)

The countries of South America had a history of authoritarian rule, acute social and economic inequality that engendered demands for social redistribution and state intervention, by its citizens. The free market system was viewed by some, as elitist program often associated with the promotion of authoritarian political rule. This differs from the reality of first world countries where democracy and the free market system are mutually inclusive. "No democracy has existed in nations that did not have the basic contours of capitalism; namely, a large extent of private ownership and competition as the

main mechanism of economic coordination.” (12)

While free market system is compatible with democracy, the neoliberal reforms needed to make it sustainable in South America required the concentration of political power, budget austerity, the dismissal of government employees, privatization of nationalized industries, opening economies to foreign trade, the elimination of regulations and tariffs that protected domestic industries. These structural adjustments came with high short-term costs and led to fears of social upheaval and political conflict between, “influential, well-organized sectors of business and labor” and segments of the population negatively impacted, primarily the poor.

### **The United States and Democracy in South America**

The United State’s promotion of democracy in South America existed long before the Cold War, but took a backseat to issues like national security that called for containment of communism. This anti-communist strategy ended with the Cold War, and the United States began greater efforts to promote democracy throughout the region. The reality of democracy promotion by the United States in South America, particularly after the end of the Cold War, depended upon the policies and priorities of individual US politicians as well as the economic, strategic, and political factors concerning a given political or economic event. Unlike the Cold War there is no longer a singular focus to guide US policy. This is not a defense of US policies but the

realization that the United States government doesn't always act on consensus of the people. Ultimately persons representing the party in power determine policy. What can be said is that the post-Cold War world created new opportunities for the United States to provide more than just its long-standing rhetorical support for democracy. (14)

### **Democracy a Definition**

It's important to start with the procedural definition of democracy and describe the factors directly related to its quality. According to Robert Dahl, "to be fully democratic state would have to provide rights, liberties and opportunities for effective participation; voting equality; sufficient understanding of policies and their consequences; and the means by which the citizen could maintain adequate control of the agenda of government policies and decisions. Finally, as we now understand the ideal, in order to be fully democratic, a state would have to ensure that all, or at any rate most permanent adult residents under his jurisdiction would possess the rights of citizenship." (15)

The creation and implementation of policies that promote economic development, social justice and civil rights don't necessarily equate to high-quality democracy because authoritarian regimes are quite capable of delivering good policy decisions. The quality of democracy depends upon the ability of the general population to select the government it wants and influence public policy. (16)

## **Evaluating the Quality of Democracy in South America**

Measuring the quality of democracy is not about differentiating it from other political systems like communism and authoritarianism. What's important is how democracies work as political systems. It requires examining the degree to which in theory and practice citizens are given a full range of civil and political rights to ensure the sustainability democracy. (16) The matrix used in this thesis, to determine the quality of democracy in South America, comes from a study done by Daniel H. Levine and José E. Molina in their book, **The Quality of Democracy in Latin America**. In their view the quality of democracy can be determined by the following prerequisites: (17)

1. Elections are free, fair, and frequent
2. Government is effectively in the hands of those elected
- 3 There is freedom of expression
- 4.Citizens have effective access to alternative sources of information
5. There is freedom to organize citizen organizations autonomous from government control, and the right of assembly
6. Citizenship is broadly inclusive with universal adult suffrage and there aren't discriminatory barriers to electoral and political participation.

From these procedural prerequisites the quality of democracy can be empirically determined and evaluated by the following: (18)

1. Electoral decision
2. Participation
3. Responsiveness
4. Accountability
5. Sovereignty

### **Electoral Decision**

Molina and Levine maintain that quality of electoral institutions depends upon three factors: free and equal competition that prevents incumbents from gaining advantage over their opponents by using public resources; multiple media sources of information accessible to the voters so they can make informed decisions; political equality that not only includes the notion of one man one vote but equal access to cognitive resources, in other words, educational opportunities. (19)

### **Participation**

Participation in the political process is not just a matter of voting but includes whether citizens have access to government offices and membership in non-governmental organizations that participate in the political process. The more they participate in the political governmental process the greater the possibility that the policymaking decisions by political leaders represent the desires of their constituents. (20) The trend of Latin America supporting independent municipal and regional governments increase decentralization and enhances participation by giving citizens a direct

role in their own affairs. Another form of participation better known as direct democracy has also played a role in South America. This includes citizen forums, roundtables, voter referendum and recall elections. They provide additional opportunities for citizens to participate in the democratic process and strengthen their influence over policy decisions. (21) Of course the sheer size of the electorate in any country makes direct democracy somewhat problematic given the political leaders ability to manipulate the process. In the end the level of education, freedom of the press and access to information are key factors in overcoming political manipulation. A well-educated and informed voter, who participates the political process, is the best defense against political leaders who try to misinform voters, influence electoral results or support controversial policies. (22)

There is a relationship between the amount and availability of educational resources and the degree of the political equality. Free access to multiple sources of information and access to education enhance what Dahl refers to as “enlightened understanding” (23) The key is to make the distribution of educational resources equitable and mandatory. This improves the quality of democracy by ensuring that citizens are aware of their choices and know the possible consequences of their actions, to make informed decisions in order to safeguard their interests. (24)

## **Accountability**

Holding governments accountable for their actions can be both formal and informal. Formal accountability relies upon: laws that oversee government institutions, administrative norms, and governmental organizations legally charged with ensuring the accountability of political leaders such as electoral commissions, public prosecutors and departments dealing with law enforcement. Ultimately their effectiveness depends upon the quality a rule of law and the frequency and fairness of the electoral process.

Informal accountability pertains to public pressure through political demonstration and media campaigns as well as an active press bringing important issues to the attention of the public, for example corruption and judicial malfeasance. As with formal accountability citizen participation in the electoral process is essential in holding politicians answerable for their decisions. (25)

### **Responsiveness**

In a democracy responsive political leaders make policy decisions based upon the support of a majority of their constituents. Whereas in a dictatorship, political leaders may promise one thing, but do another without fear of repercussions from angry voters. At same time, governments can be very responsive, make policy with majority support that ultimately turns out to be harmful and undermines the popularity all political leaders seek. When it comes to quality of democracy responsiveness deals with making policy not the results.

(26)

## **Sovereignty**

Normally when it comes to the quality of democracy a country's sovereignty hasn't necessary been a factor, but with the acceptance of neoliberal economic reforms by South America governments it needs to be included in the discussion. Sovereignty is the quality of having supreme, independent authority over a geographic area, the citizens within it's borders and ability to policy and budgetary decisions without outside interference. A key element in defining sovereignty is known as "exclusivity of jurisdiction" which determines to what extent governmental actions might be challenged by an outside entity. (27)

Max Weber argued that, "sovereignty enhances governmental monopoly on the legitimate use of force; and thus any group claiming the same right must either be brought under the yoke of the sovereign, proven illegitimate or otherwise contested and defeated for government to be genuine." (28)

While political independence in South America was established during the 19th century this did not mean those governments had an exclusive right to rule. Governments were often faced with aggressive and powerful militaries that literally exercised vetoes over policymaking, if not direct intervention via a coup d'état. The greater weight of debt on an economy, the more likely a country's government will be obligated to follow economic policies dictated by



its creditors or other financial institutions. Organizations like the World Bank and International Monetary Fund often require governments in financial trouble to reduce debt through budget austerity, reduction of social services, privatizing government owned industry, allowing foreign investment, and opening their markets to foreign competition. While this does not destroy the country's sovereignty it certainly places restrictions upon it, and without a doubt removes public influence over policymaking through the ballot box. (29)

## **The Quality of Democracy in Chile and Brazil**

### **Chile:**

In 1973 the democratically elected government of Chile fell to a military coup. The military ruled through a junta headed by Gen. Augusto Pinochet who immediately suspended the Constitution, dissolved Congress, impose strict censorship and banned all political parties. Following the plebiscite in March 1989 Pinochet stepped down in 1990, but remained Commander-in-Chief of the Armed Forces. In 1993 the Christian Democrat candidate Patrizio Aylwin came the first democratically elected president in 19 years.

### **Electoral Decision**

Chile's democracy ranks among the highest in South America with

twenty-two national elections since 1989, but Leticia Rodriguez believes that four factors interfere with achieving even higher-quality democracy: (1) the right to vote for Chileans living abroad because many Chileans went into exile during Pinochet's regime, but this is opposed by the political right, although there is no data regarding expat voting patterns; (2) the fact that important regional government authorities are not democratically elected and instead are appointed by the President of the Republic. Some decentralization took place during 2004. Elections were held for local authorities like city counselors and mayors; (3) the quality of party access to electoral competition is limited for those who are not members of major parties. Small size, two-seat districts and a high threshold for representation encourage the largest parties to form coalitions and dominate the voting; (4) Since the return of democracy, some restrictions have been placed on freedom of the press because the media market is dominated by El Mercurio and Copesa. Both media companies are perceived to be pro-business. Rodriguez argues that this makes it impossible for citizens to make informed decisions. There's no question she's are right. Without a competitive media environment contributing news and information from different sources and ideological biases without restriction, it's much more difficult to determine what's true and what's not. A key factor in making good decisions is accessibility to an education that gives one the critical thinking skills needed to make the best decisions based on the evidence at hand. (30)

The Chilean election system created during the Pinochet regime is

considered to be the last “authoritarian enclaves” and an impediment to the quality of democracy. (31) Typically the electoral process consists of competition between two-party coalitions. Coalitions must win about 66% of the vote to win both seats in the district and about 33% to win one. The Pinochet government adopted the system to ensure right wing parties could win up to 50% of the seats when it only polled one third of the votes in any particular district (32)

### **Participation**

Chile has a long tradition of Democratic participation. "This system regulated by the 1980 Constitution, is combined with a voluntary registration mechanism in such a way that the citizen who does not register are not obliged to vote, but, once registered, voting becomes a permanent obligation.

### **Responsiveness**

In Chile two issues have dominated the Democratic government agenda: human rights and the current neoliberal economic model.

According to Rodriguez, the importance of human rights dates from the Pinochet regime. The focus has been on judicial reform, the reconstruction of historical memory, victim compensation, and civilian control over the military. In general Chilean governments have produced solutions that have met the demands of its citizens. (33)

In general Chilean political parties hold views on neoliberal economic policy. Presidents Aylwin, Frei and Lagos continued the neoliberal economic policies that were established and maintained by Gen. Pinochet. These policies have brought considerable economic growth to Chileans, but have not been accompanied by equitable income redistribution and Chile continues to be a country with great disparities in its distribution of wealth. Although some adjustments have been made to the neoliberal economic model, for example healthcare reform and a system of comprehensive social protection for children. Unfortunately no policy has been devised to eradicate poverty and social inequality. On this point there is a strong disagreement between elected officials who have benefited from the current system and a majority of voters who want a reduction in income inequality and poverty. (34)

President Bachelet continued many of the free-market policies of the past; in this sense, she was little different from the three democratic regimes that preceded her, all of which continued the privatization of the Pinochet years, but at a slower pace. (35)

## **Accountability**

In Chile the judiciary ultimately determines the quality of accountability. Ultimately the electoral system is dominated by two major coalitions from the right and center-left. Typically one member from each party wins one of two district seats. In most cases candidates are chosen by the party elites, which made it difficult to

hold legislators accountable once they're elected. Seats are typically "safe" because re-election rates are high and it's difficult to unseat incumbents, who were typically entitled to re-election. This created disincentives to participate because Chilean voters perceived that it didn't really matter whom you voted for because the outcome was determined by the party elite. (36) Democracy demands accountability, legitimacy and representation. Given the elite's power to choose electoral candidates, without a formal primary where all voters participated, the ability of citizens to sanction elected representatives by voting for a competitor was limited. Typically attempts to reform the binomial system ran into opposition from the right. (37) UDI, the right-wing coalition blocked any possibility of electoral reform to ensure their continuance in power. Furthermore electoral reform, in the past, has failed primarily due to the requirement of a super majority to pass such legislation as well as the veto power given to appointed senators. Constitutional reforms in 2005 eliminated both of these impediments to reform. (38)

## **Sovereignty**

In Chile the military's autonomy continued to have a strong influence on governmental policy by retaining the right of veto. Constitutional reforms in the early 90s returned the military to civilian control and gave the president the right to fire the Chilean military Commander-in-Chief, but the National Security Council continues to include military commanders. The military maintained autonomy through the Copper Reserve Law, 13.196. which appropriated 10% of revenues

from the state owned copper company to be divided amongst the branches of the military. More importantly, from the military's point of view, they aren't under any obligation to reveal how the money was used or spent. When public funds are used by the military, without the consent of legitimate Democratic government, then clearly its sovereignty comes into question. While ten percent of the state copper funds was far more than the Chilean military realistically needed, perhaps it was a price worth paying in return for political rights and a democratic government. (39)

The Chilean right, who controlled a great deal of the wealth, blocked any reform undermining the power of the military. They needed the military to provide stability and guarantee their powerful position. No doubt neoliberal economic policies contributed to their wealth and strengthened their hand. The military also retained the right to intervene in Chilean politics if they believed the political situation had become unstable. Unfortunately for democracy they alone determined the definition of stability.

The Chilean Constitution gives the president almost complete control over the budget, whether or not Congress approves, it still becomes law. (40) In a democracy no president wants to introduce a budget with a high degree of opposition. As Franklin Roosevelt once stated words to the effect, that it was a terrible thing to be leading, only to look back and realize no one was there. Typically, Chilean presidents meet with opposition leaders and other stakeholders for pre-budget discussions. The elite represented by right-wing parties and the

military needed to be reassured that fiscal austerity would be maintained along with the neoliberal economic policies conducive to economic growth and success. Like all good politicians Chilean presidents make a habit of meeting with the business community, social organizations, economic stakeholders and the business community. The Production and Commerce Confederation a lobbying organization represented the business community and had enough influence to kill legislation perceived to be anti-business. (41) In the United States, organizations like the Chamber of Commerce, through campaign contributions and lobbying, have a great deal of influence over legislation related to business. It's not perceived as a threat to governmental sovereignty just smart politics.

### **Support for Neoliberalism**

In general the Chilean public appeared to be satisfied the country's economic policies. In 2000 survey when asked whether "private enterprises was the best way to solve economic problems in Chile," only 24.4% of Chileans disagreed or strongly disagreed. (42) Interestingly Chileans still wanted the state to be involved in economy. For example, over 70% of Chileans agreed or very much agreed with the statement, "it is the responsibility of government to reduce the differences in income between high income and low income people." (43) Overall the consensus was that Chile has a robust economy and government should play role in emphasizing social, regulation, over-sight and building consensus among all stakeholders. (44)

## **Chile and the Washington Consensus**

Chile's rate of growth was unrivaled in Latin America in terms of its size and consistency between the return of democracy in 1990 to 2005. GDP growth rates averaged over 5.6% per year achieving 10.8% in 1995. Between 1995 and 2005, growth remained impressive and despite a downturn in 1999, it averaged 4.7% per annum during this period. Not without reason it was called "Latin America's Asian Tiger" (45) In 2005 Chile had the highest GDP per capita in Latin America and its international debt was 43.2% in proportion to its GDP from a high in 1983 of 90.7%.

Like Brazil income distribution has remained unequal, making Chile one of the least equitable countries in South America. Despite some success, a significant portion of the population still remains in chronic poverty. The healthcare educational, and pension systems have benefited the upper and middle classes but provided little security for the working classes and poor furthering inequality. (46)

While most of Latin America, following the Cold War, adopted the Washington consensus and its neoliberal policies many came to question its effectiveness in reducing inequality and the plight of the poor. This led to leftist politicians who sought to overturn the basic



tenets of market economics that neoliberalism represents. At the same time in Chile no politician emerged with a large base of support critical of the Washington consensus. (47)

Contrary to the free-market policies the central government has supported research and development, export promotion, and growing infant export industries by providing long-term loan guarantees (Peter M page 181). Chile's main export copper continued to be controlled by the National Copper Corporation. (48)

Chile has been successful in lowering the percentage of the population living in poverty. Poverty decreased from 45.1% in 1987 to 18.8% in 2003. Extreme poverty fell from 17.4% to 25.7% during this period. (49) Regular increases in the minimum wage stayed ahead of inflation. In 2004 the Chilean minimum wage, adjusted for inflation, was 90% higher than in 1990. (49)

Since the end of the Pinochet era, more than 90 percent of Chileans have expressed support for democratic rule and the neoliberal model by voting for either the center-left or the right, both of which have promoted free market policies. Even the leftist political writer Nikolas Kozloff, a supporter of Hugo Chavez believed, given the widespread acceptance of the free trade model, there was little chance that Chile would cancel trade pacts with the United States or drastically modify its commitment to a free market economy. (50)

## **Brazil**

### **Brazil: The Persistence of Oligarchy, Alfred P Montero**

#### **Electoral Decision**

In January 2003 incumbent Pres. Fernando Cardozo turned over the presidency to “Lulu” Incio da Silva, the first time in 10 years of democracy that directly elected presidents exchange places. During this era civilian government gained control of the armed forces, ran free and fair elections. (51)

Voters have many opportunities to vote at every level of government (municipal, state, and federal). Electoral decisions were hampered by weak ideology and party identification, institutionally embedded in an electoral system that undermines the capacity of parties to organize electoral behavior. (52) Political candidate won elections, by developing a personal following among the electorate. They often procured voters with offers of patronage and material rewards. Bipartisanship is not necessarily important for the quality of democracy, but the weakness of partisanship and the dominance of cult of personality politics weakened the link between citizens and their elected officials.

Weak ideological and partisanship among Brazilian voters were blamed on educational and institutional factors. Generally speaking,

more educated Brazilians demonstrated a greater preference for party, and particularly Lulu's party the PT. There is disagreement on the correlation between political partisanship and education. Education, or the lack of, could have a profound effect on voter critical thinking skills that underlie the ability to make good decisions. Without solid critical thinking skills voters could easily be influenced by sophisticated media campaigns. (53)

## **Participation**

The 1988 Constitution emphasized citizen participation and direct democracy through public demonstrations, official hearings, and legal action. The national electoral turnout rate runs about 80%, (54) Brazil certainly fulfills the basic requirements of democracy with a four-year election cycle for political offices at the national and local levels.

Establishment of popular councils in the major municipalities created institutionalized citizen oversight and encouraged participation in community decisions and policymaking. Moreno argued that popular councils improved interrelationships between public advocacy groups that enabled alliances to achieve policy ends. (55) People who joined NGOs related to public policy or governmental oversight came with high hopes and were often disappointed when they learned: how the process really works; how long it would take to achieve their ends; and there was a strong possibility they wouldn't be successful. As someone from United States who has run a number of political campaigns, worked in a state legislature for 10 years and lobbied on

behalf of the high tech business community I've, anecdotally, seen this kind of disenchantment that makes citizens apathetic and less likely to participate.

The states of the northern and northeastern regions evince the strongest tendencies to mobilize the poor and powerless on behalf of conservative incumbents and extended political families that tend to dominate the political competition. These states were run by many of the same traditional leaders who were present before the transition to democracy and they continued to control state legislatures and gubernatorial offices. (56)

Citizen participation in Brazilian electoral democracy was often underrepresented when it comes to ethnic minorities and the poor. Women were also underrepresented in in the national legislature. A federal law in 1997 called for political parties to apply non-binding gender quotas to increase female participation for elected office. The parties often give lip service promoting equality, but in reality women held only 8.8% of congressional seats in 2007. (57)

## **Accountability**

Building a sustainable presidential majority coalition in the Brazilian Parliament required financial contributions legal and illegal to elected members, the funding of pork barrel projects, and patronage of government positions up to the cabinet level. Committees of Parliamentary Inquiry (CPI) were congressional committees with

direct oversight functions over specific issues. Membership often included Congressman with close ties to those issues leaving open the possibility of political manipulation and corruption. (58) CPI's could only be established with the permission of the majority, and were typically used as bargaining chips in exchange for political and legislative favors. Having the power to govern is absolutely essential for any president. The fact that the process is open to political manipulation and corruption makes it no different than any other democracy. The question is to what extent does rule of law prevail allowing prosecutors to hold elected officials accountable for their actions.

Ultimately the judiciary remains the final arbitrator for democratic institutional accountability. Courts can hear challenges and overturn legislative decisions. Final decisions by the Supreme Court are not subject to appeal.

President Lulu's distribution of cabinet portfolios indicated an unwillingness to concede substantial access to government resources and control over policies to parties other than the PT. The PT sought to maintain its control of policy as well as the power hire and fire bureaucrats down to the second and third echelons of the federal bureaucracy. Although Lulu's coalition was nominally a partnership, his coalition partners had relatively little power to enact

policy and became frustrated at their inability to appoint friends and allies to plumb government positions. (59) Lulu chose to forgo purchasing support wholesale in building a parliamentary coalition, by conceding control of the levers of power to outside parties and allowing them to hold important cabinet positions. Instead he chose the traditional retail method of coalition building where the president builds coalitions on a vote-by-vote, deputy-by-deputy basis in exchange for the distribution of material resources.(60)There is nothing illegal about this strategy but it makes the political process vulnerable to corruption. A scandal in May 2005 related to bribery led to accusations of Lulu's government purchasing their majority via pork barrel politics and monetary payments. As the scandal grew his ratings took a nosedive and his governing coalition lost support at the ballot box - probably the most efficient manner for guaranteeing accountability. In addition Brazilian NGOs were quick to demand social accountability (61) and pursued strategies typical of watchdog organizations by using the media and lawsuits to hold bureaucrats and elected officials accountable.

Unfortunately corruption is part and parcel of governments whether democratic or authoritarian. Brazil wasn't the most corrupt country in the world. In 2006 it ranked 70th out of 163 countries by Transparency International, which made it slightly more corrupt than 2005.(62)

## **Responsiveness**

According to Samuels, the Cardoso and Lulu administrations attempted to meet the voter's wishes, by managing and sustaining economic stability and especially inflation control. According to a LAPOP 2007 survey voters believed the government was less responsive on issues like unemployment, corruption, and improving personal security. Many felt that Lulu's government was not doing enough to protect democracy, human rights, and fight poverty. (63)

In reality the political world has always been a dichotomy: the government makes promises that become compromises in the legislative process; voters perceive compromises as a failure to keep those promises. Ultimately their perception becomes reality and politicians acquire reputations as double-talkers and liars.

Lulu's political party the PT was recognized as the first important Brazilian party to build its base of power autonomous from state influence as well as political and economic elites. (64) The party platform emphasized economic policies to help the poor and working-class Brazilians. In contrast to the fragmented Brazilian party system PT built a large group of loyal partisans. (65) Neo-liberalism, he said, was "a perverse model that mistakenly separates the economic from the social, stability from growth, responsibility from justice. (66)

For the first time since the return of democracy Brazil had a popular president backed by a strong political party. Growing economic instability in the mid-1990s pushed Lulu into a more pragmatic policy

regarding international financial markets. He released a statement of principles that accepted the rules of neoliberal economic policy, and supported the International Monetary Fund (IMF) stabilization plan negotiated and signed during the last months of the Cardoso administration.(67)

The Lulu administration focused more on maintaining Brazil's international credit ratings and failed to enact the PT's goal of encouraging government policy to help the poor. Instead his first finance minister set a primary budget surplus target of 4.75% of GDP 1% higher than the previous Cardoso administration's austerity measures. Setting aside government revenues to payoff debt meant less social spending on the poor. (68)

President Lulu gave greater autonomy to the Central Bank, a move the party had opposed because it meant less state influence over monetary policy; held the line on minimum wage rate increases despite his promise to double it, reformed Social Security and public-sector pensions to reduce the deficit which the PT had long opposed. Lulu took the position that economic stability was paramount, but critics argued that he failed to pay sufficient attention the social policy. (69) (His adherence to neoliberal economic policies at the expense of social programs engendered anger within the PT, alienated his political allies and weakened the government's legislative support. (70)

## **Sovereignty**



Sovereignty has been problematic under Brazilian democracy. After the transition to democracy the military came under the control of the civilian government. Like the Chilean military it had reserved, under the 1988 Constitution (Article 142), the right to intervene in the democratic process in the face of threats to law and order. (71) This represented a potential loss of sovereignty by the national government, particularly the president, because his actions, subject to interpretation, could be seen as threatening internal security, which of course, only the military could define. The Brazilian Congress approves the military budget but like the Chilean military does not have oversight over how the money is spent.

Brazil has a relatively high debt that equates to 45% their gross domestic product (GDP). Domestic investors hold most of the national debt in the form of bonds. External debt levels declined under Lulu from 14.5% of GDP in January 2003 to 4% in January 2010. (72) It should also be noted that Lula refused to stand up to IMF austerity policies and instead presided over huge cuts in public spending and deteriorating living conditions. (73)

## **BRAZL AND NEOLIBERALISM**

During the first three years of Lulu's presidency Brazil's GDP growth was positive, the rate of inflation remained fairly low and stable, interest rates decreased, formal employment levels increased,

exports doubled and the country lowered its debt with the IMF, and the national debt declined as a proportion of GDP. (74)

## **US Policy in Latin America**

The end of the Cold War presented an opportunity for the United States to improve its relations with Latin America. No longer concerned with the containment of communism, Washington would be able to focus on issues that it had neglected such as human rights, democracy, and economic reform. (75)

Without a communist threat to the region, US policies were no longer driven by a one-size-fits-all approach. Pres. Theodore Roosevelt's maxim "speak softly and carry a big stick, and you'll go far") epitomized the relationship between the United States and South America. While the United States was still certainly capable of acting with the big stick US policy, South America had changed. This paradigm shift increased the level of flexibility and choices for Washington in its dealings with Latin America.

Latin American countries were increasingly becoming democratic. Washington's influence was not what it had been. It was no longer business as usual for the elected leaders in Washington. Latin American countries simply had more options if they choose to ignore the United States and look for investment dollars elsewhere. (76)

Two schools of thought, "Establishment" and "Anti-imperialist"

dominated the discussion. The establishment school viewed the end of the Cold War as an opportunity to improve relations with Latin America. They believed US policy could focus on issues related to democracy, economic reform and trade liberalization, a win-win scenario. The Anti-imperialist school took the view that this would simply give the United States the opportunity to promote an investment climate where US companies could increase their earnings. (77)

Since 1989 US foreign policy in Latin America took the establishment point of view and promoted it through the presidential administrations of HW Bush, Bill Clinton and George W. Bush. (78). The establishment school also supported the Organization of American States (OAS) view that democracy would be the only form of a legitimate government in the Western hemisphere.

Anti-imperialists argued that the establishment position was nothing more than political rhetoric serving as a cover for the United States to impose its values in the region. (79)

During the 1980s many countries in Latin America had large foreign debt obligations, high inflation and huge budget deficits. The HW Bush administration implemented a debt reduction program known as the Brady Plan that helped many Latin American countries to borrow from foreign creditors including commercial banks.(80) By early 1993 the HW Bush administration established a new post-Cold War policy based on Latin American economic stability, trade integration and

democracy. The Clinton administration continued to promote President Bush's Latin American policy of democratic governments and free market economies.

While Anti-imperialists accused United States of using its power to exploit South American weakness and impose to free-market solutions on Latin America governments, in fact many democratically elected leaders in Latin America were very enthusiastic about market liberalization. (81)

During the first term of George W. Bush's presidency he attended the 2001 Summit of the Americas meeting in Québec where he met with 33 heads of state from the Western Hemisphere and supported a “democracy clause” that committed the summit’s participants to oppose any attempt to undermine constitutional democracy in the Western Hemisphere, and linked all free-trade agreements to upholding democracy. The OAS codified the clause in its inter-American democracy charter during a meeting in Lima, Peru in September 2001. The charter defines the core elements of democracy and listed the reasons why an OAS member country could be suspended for not adhering to its norms. (82) The policy of melding the issues of democracy, security and market economics has been a consistent part of American foreign policy since 1989.

## **The Evolution of Democracy in the US Policy Arsenal**

Proceeding and during the Cold War Washington rhetorically emphasized the importance of democracy, but often gave way to strategic concerns in the effort to contain Communism throughout the world. Critics argued that Latin America made substantial Democratic gains despite US policies. Furthermore they claimed that Washington only supported a certain type of democracy, one that was congenial to US corporations doing business in South America and insured the practice of American-style capitalism. The Bush administration supported Chamorro's 1990 presidential bid in Nicaragua with financial support. Anti-imperialist argued that, with good reason, Washington was directly meddling in foreign elections to ensure electoral outcome in line with its own interests. (83)

It would be difficult to argue they were wrong considering the US had tried to knock off the Sandinistas since the Reagan administrations

Regardless, the criticism of American motives whether legitimate or not, it can't be denied that Washington has been supportive of democracy in South America. The Organization of American states with began pushing US backed pro-democracy initiatives. The Santiago Resolution, passed in June 1991, was one of the first signs that the OAS was beginning to emphasize democracy in the post-Cold War era. The OAS charter had always been supportive of democracy as a goal for the Hemisphere, but the Santiago Resolution established procedures for dealing with any breakdown in the democratic process. Resolution 1080, stipulated that the OAS had to call a meeting of its Permanent Council should the "democratic process" be interrupted in the hemisphere. (84)

In fact the OAS initiated Resolution 1080 on numerous occasions: the 1991 coup against Haiti's democratically elected leader, in 1992 during Peruvian Pres. Fujimori's attempted coup; and in 1993 during a similar coup in Guatemala. Clearly United States through the auspices of the OAS had been a leader in building the consensus that democracy would be the only alternative in the region. (85)

Simply put from then on economic integration and democratic government would be linked: "no democracy, no trade." Soon thereafter the OAS included a democracy clause in its bylaws and approved the Inter-American Democratic charter, which stated, "the peoples of the Americas have a right to democracy and their governments have an obligation to promote and defend it." (86) Unfortunately, in terms of the United States credibility, the Bush administration's decision to support the coup against the democratically elected leader of Venezuela, Pres. Hugo Chavez 2002 did a great deal of damage to his pro-democracy rhetoric. The kind of hypocrisy that reinforces the anti-imperialist view that the United States will ultimately, in the end, serve its own interests even at the expense of democracy. And as a result, tarnished the moral and political leadership that it achieved since the end of the Cold War. Given these kind of actions it's difficult to define a consensus for the United States pro-democracy policies. Is Washington an unequivocal supporter of democracy throughout Latin America or does it simply manipulate the concept of democracy in order to serve its own national interest? The fact is United States government policy is not

always a matter of national consensus. Government policy often depends upon the players in power and the economic, strategic, and political factors of a given event.

## **Conclusion**

Neoliberal institutions like the International Monetary Fund and the World Bank have imposed economic and budgetary constraints on both countries in return for debt reduction, which partially limited the sovereignty of both countries. Given their relative autonomy from government interference, it could be argued the militaries of Brazil and Chile posed an even greater danger to democratic sovereignty. Critics of neoliberal policies blame the United States because of its perceived influence over the IMF and World Bank. The fact is Latin American democratic leaders, many of whom had been educated in the United States, promoted free-market economics, trade integration and Adam Smith's "invisible hand." While these policies failed to reduce the high levels of income inequality and poverty in Chile and Brazil the blame should not be laid entirely on the United States, the IMF and the World Bank, but instead on the high-level of debt accumulated by both countries they were unable to payback. In order to maintain credibility in world financial markets they agreed to austerity budgets in return for debt renegotiation and reduction.

The United States through institutions like the Organization of American States and presidential initiatives played an important role in supporting and sustaining democracy in Brazil and Chile, by

making membership contingent on maintaining democracy and creating penalties for countries that didn't.

Overall the quality of democracy in Brazil and Chile from 1990 to 2005 has been good. Electoral contests were generally frequent and fair, levels of participation in electoral contests were high.

Governments were generally responsive and accountable to the wishes of its citizens. With the exception of problematic autonomous militaries and international financial organizations demands for austerity budgets in return for debt reduction both countries maintained a high-level of sovereignty.

As is the case with Western democracies like those in the European Union and the United States the elites in Chile in Brazil, whom clearly benefited from neoliberal economic policies, retained high degree of influence over their governments. Access to higher education, which enabled them to attain high government positions, and the ability to contribute large amounts of money to affect electoral outcomes through media campaigns makes them no different from elites in other democratic countries.

The great thing about democracy is that there are numerous ways for the general population to counteract the influence of the elites.

Through political activism, the creation of nongovernmental organizations to oversee government functions and influence policymaking, as well as frequent and fair elections, the individual voter, if they're willing to make the effort, can in conjunction with like-



minded people, organize, be heard and effect electoral outcomes and make governments responsive to their wishes and hold them accountable. This is been the case in both Chile and Brazil. The same is true for the United States as well as democracies in the European Union. Ultimately the quality of democracy depends upon the involvement and actions of its citizens. As long as United States and institutions like the Organization of American States make membership contingent upon maintaining democratic institutions that hold free and fair elections, maintain press freedom and don't hinder the ability citizens to vote and organize, the democracies of Brazil and Chile stand a fair chance the remaining sustainable for the near future.

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